

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6946

Investigation into the existing rates of
Central Vermont Public Service Corporation

Docket No. 6988

Tariff Filing of Central Vermont Public Service Corporation Requesting an Increase in Rates to be Effective August 29, 2004

PREFILED TESTIMONY OF
CAROLE E. WELCH
ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE

October 1, 2004

Summary: The purpose of Ms. Welch's testimony is to present the results of her review of DUP DSM expenditures and system-wide and DUP ACE amounts related to components of the Company's cost of service.

PREFILED Testimony
of
Carole E. Welch

1 Q. Please state your name and occupation.

2 A. My name is Carole Welch. I am an Energy Policy & Program Analyst for the
3 Vermont Department of Public Service ("Department" or "DPS").

4 Q. Please summarize your professional background and experience.

5 A. I have been an Energy Policy & Program Analyst for the DPS for over
6 twelve years. During that time, I have reviewed numerous utility requests for cost
7 recovery of demand side management ("DSM") expenditures and ACE
8 ("Accounting Correction for Efficiency") amounts in rate filings. I was
9 extensively involved in negotiations to set the energy efficiency charge for the
10 years 2000 - 2004 (Dockets 5980, 6429, 6564, 6741, and 6874). I conduct
11 substantial review and evaluation of Efficiency Vermont's accomplishments and
12 activities. Prior to my employment with the DPS, I was an Area Energy Agent for
13 the University of Vermont (UVM) Extension Service. I have a BA in
14 Mathematics from UVM and have completed graduate level courses in natural
15 resources planning at UVM.

16 Q. Have you ever testified before the Vermont Public Service Board?

17 A. Yes, I have testified in Dockets 6860, 6750, 6120/6460, 6018, 5859, 5841/5859,
18 5863, 5809, 5701/5724, 5656, and a number of 5270 dockets.

19 Q. What is the purpose of your testimony?

20 A. My testimony presents the results of my review of distributed utility planning
21 ("DUP") DSM expenditures, and system-wide and DUP ACE amounts related to

1 components of the Company's cost of service.

2 Q. Please summarize your testimony.

3 A. I propose reductions in the Company's DUP DSM expenditures and ACE deferral
4 amounts. I support the Company's ACE amounts related to Efficiency Vermont's
5 ("EVT") resource acquisitions in CVPS's service territory, shown in the Company's COS
6 adjustment 24. Finally, I comment briefly on the Company's DUP DSM efforts
7 undertaken during calendar year 2001.

8 Q. What is your testimony regarding the DUP DSM deferral amounts?

9 A. The Company seeks recovery for DUP DSM expenditures incurred from January
10 1, 2001 through December 31, 2003. The total expenditures for the period 2001 through
11 2003, including carrying costs and adjustments, equals \$359,864 as shown in schedule 7
12 for each rate year. These expenditures were incurred for residential high use DUP DSM
13 activities undertaken in two of the Company's constrained areas, the Southern Loop and
14 the Central Area. Audits were conducted and incentives paid primarily for electric space
15 and water heating fuel switch measures. I find these expenditures reasonable, as DSM
16 resources were acquired from high use customers in identified constrained areas.
17 However, the Company's adjustments to these expenditures, to account for recurring
18 expenses allowed in Dockets 6120/6460, are incorrect.

19 Q. What's wrong with the adjustments?

20 A. The Company has neglected to properly adjust these amounts by the full amount it
21 currently collects in base rates for DUP DSM recurring expenditures, established in

1 Dockets 6120/6460 as \$195,546 for the rate year.¹ When the Company's DUP DSM
2 expenditures for 2001 through 2003 are adjusted by this annual amount, the result is a
3 negative balance for this deferral account, as shown in my exhibit DPS ____ CEW-1. I
4 therefore recommend the DUP DSM expenditures shown line 3 of schedule 7 of both rate
5 years be changed to "0". This reduction is reflected in DPS witnesses Schultz and
6 DeRonne prefiled testimony and exhibits.

7 Q. Do you have any adjustments to the ACE amounts calculated by the Company and
8 reflected on line 4 of schedule 7 for each rate year?

9 A. I do. CVPS has failed to use the most recent information available to calculate the
10 production savings component of the ACE calculation. The Company used 2002 market
11 energy prices to determine net lost revenue for the years 2003, 2004, and a portion of
12 2005. The Department has recalculated the ACE for those years, using actual market
13 energy prices through July 2004 and the forecasted market energy prices supported by
14 DPS witness David Lamont the remaining months of the ACE calculation. Exhibit
15 DPS ____ CEW-2 summarizes the results of that calculation.

16 Q. Please explain your proposed reduction to the ACE amount.

17 A. In its filing, CVPS' net lost revenues (ACE amounts) are calculated for efficiency
18 measures installed from July 1, 2000 to the beginning of the rate year, for the period July
19 1, 2000 through March 31, 2004 for rate year 1 and March 31, 2005 for rate year 2. In
20 calculating the production savings it experienced in 2003 to the beginning of the
21 applicable rate year, it used 2002 market energy prices to represent the marginal cost of

¹ Line 42, COS Adjustment 23 attached to the MOU approved by the Board in Dockets 6120/6460, specifically MOU Attachment 5, Sheet 2 of 4, May 7, 2001 corrected September 21, 2001. The 6460 rate year commenced July 1, 2001.

1 the kWh avoided due to the efficiency installations. At its simplest, the ACE calculation
2 formula is the gross lost revenue minus the production savings and other incremental
3 operational savings experienced by the Company during the calculation period. As
4 monthly market energy costs are actual, known amounts up to the filing time, CVPS
5 should have used actual market energy prices for 2003 up to the time of its filing. To
6 project the monthly production savings for the period between the rate filing and the
7 beginning of the rate year, it should have used values consistent with the forecast market
8 energy prices it used to calculate its power costs for the instant docket.

9 Q. Please describe your adjustment to the Company's ACE amount.

10 A. The Department has recalculated the Company's ACE amounts for 2003, 2004,
11 and 2005, using actual market energy prices through July 2004 and the forecast amounts
12 supported by DPS witness Lamont starting August 2004. The resulting reduction in
13 calculated net lost revenue amounts is shown in my exhibit DPS ____ CEW-2. DPS
14 witnesses Schultz and DeRonne reflect these adjustments in their prefiled testimony and
15 exhibits.

16 Q. What is your testimony about the Company's ACE amounts shown in COS Adjustment
17 24?

18 A. The Company calculated net lost revenue amounts primarily from Efficiency
19 Vermont's efficiency measures installed in CVPS service territory from July 1, 2000
20 through June 30, 2002 for the period July 1, 2000 through June 30, 2002, per the Docket
21 5980 MOU approved by the Board September 30, 1999 dated and the Docket 6120/6460
22 MOU dated May 7, 2001. These amounts, plus carrying costs, are shown on line 78 of
23 COS Adjustment 24. I also reviewed the calculations for the amounts shown on line 78
24 of COS Adjustment 24 in the instant docket. My review of these calculations does not
25 result in any recommended adjustments to these amounts.

1 Q. Please briefly discuss the Company's 2001 DUP DSM efforts.

2 A. Through 2001 and into early 2002, the Company continued implementation of its
3 residential high use program in two of its T&D constrained areas. Customer incentives
4 were provided for cost-effective efficiency measures, including electric space and water
5 heating fuel switching, for residential high use customers located in the Southern Loop
6 and the Central (Killington) Area. This effort resulted in substantial savings from space
7 heating and, to a lesser extent, water heating fuel switching measures in winter seasonal
8 homes in these areas. However the program did not directly install lighting measures in
9 homes it visited unless the dwellings were occupied year-round. While homes that are
10 not occupied year-round have fewer hours of use for lighting measures, the lights are
11 likely being used during the winter peak hours when the T&D system is constrained. I
12 suggest that the Company institute procedures to avoid lost opportunities in future DUP
13 DSM efforts by including direct install of cost effective measures when conducting site
14 visits.

15 Q. Does this conclude your testimony?

16 A. Yes, at this time.